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Photographer: Patrick Baz/AFP via Getty Images

Markets

Yields of 100% Push Lebanon's Bonds Into Venezuela Territory

By [Paul Wallace](#)

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- ▶ Rate on \$1.2 billion of bonds due in March rises to 103%
- ▶ Crisis worsened on Tuesday as protesters blocked parliament

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DJIA
 26,573.53 USD
 ▼ -78.80 -0.30%

SPX
S&P 500
 3,214.83 USD
 ▼ -20.83 -0.64%

COMP
NASDAQ
 10,360.84 USD
 ▼ -100.58 -0.96%

UKX
FTSE 100
 6,130.47 GBP
 ▼ -80.97 -1.30%

NKI
NIKKEI 225 Future
 22,760.00 JPY
 ▲ +10.00 +0.04%

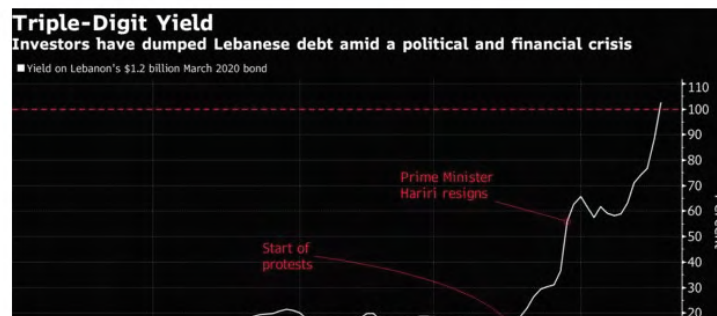
EURUSD
EUR-USD
 1.1633 USD

The political crisis in Lebanon has sent yields on some of its dollar bonds into triple digits.

Rates on the government's \$1.2 billion of notes maturing in March next year have climbed 28 percentage points this week to 105%. They were at 13% five weeks ago, just before the start of protests that led to the resignation of Prime Minister Saad Hariri and exacerbated the nation's economic woes.

Protesters marched to parliament in Beirut on Tuesday, forcing it to suspend a session as the army and riot police tried to disperse them.

With Lebanon viewed by many bond traders as a default waiting to happen, cash prices have become more important than yields as they factor in potential recovery rates. That's inverted the government's curve and distorted yields at the shorter end. The price of Lebanon's 2020 debt is 77 cents on the dollar, while that of its April 2021 securities is 56 cents.



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Still, it's extremely rare for a nation's dollar yields to reach 100%. Even in Argentina -- where investors are far from convinced that the incoming leader Alberto Fernandez can fix an economic mess -- they haven't gone far beyond 85%. Some of Venezuela's bonds reached triple figures around the time it defaulted in late 2017.

READ: Lebanon Crisis Has Templeton Uttering R-Word Amid Debt Woes

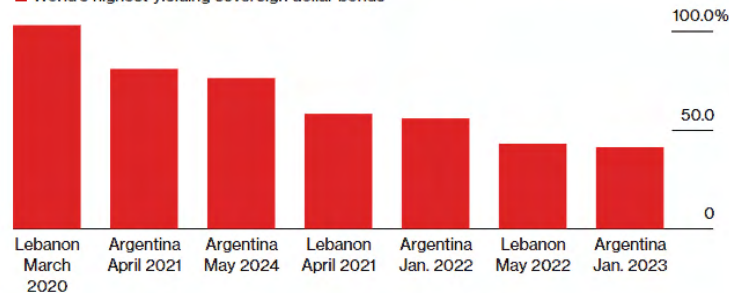
Lebanon, one of the world's most indebted countries relative to the size of its economy, has consistently said it will honor its liabilities and has downplayed any talk of a restructuring. It's never defaulted on its sovereign debt, most of which is held by local banks.

According to central bank Governor Riad Salameh, Lebanon has the money to repay \$1.5 billion of securities maturing at the end of this month. The next Eurobonds after that are those due in March 2020.

Sky-High

Lebanon and Argentina have the world's highest-yielding dollar bonds

■ World's highest-yielding sovereign dollar bonds



Source: Bloomberg Barclays Indexes; excludes Venezuela, which is in default

(Updates yield in second paragraph.)

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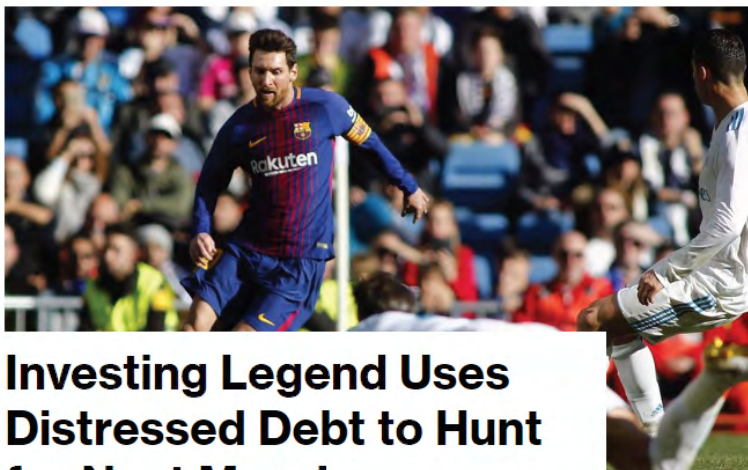
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